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THE BOARD OF DIRECTORS OF DOMINION STORES LIMITED PRESENTS THE 52nd ANNUAL REPORT TO THE SHAREHOLDERS

FISCAL YEAR ENDED MARCH 18th, 1972

CONTENTS

Version française—On peut obtenir un exemplaire français du présent Rapport annuel en s'adressant au Secrétaire de la Compagnie, 605 Rogers Road, Toronto 15, Ontario.

Auditors
McDonald, Currie & Co., Toronto

Bankers
Bank of Montreal
Banque Canadienne Nationale
Banque Provinciale du Canada
Canadian Imperial Bank of Commerce
The Bank of Nova Scotia
The Royal Bank of Canada
The Toronto-Dominion Bank

Transfer Agents
Crown Trust Company
Toronto, Montreal and Vancouver
Canada Permanent Trust Company
Halifax and Saint John
Bankers Trust Company, New York

Registrars
Crown Trust Company,
Toronto, Montreal and Vancouver
Canada Permanent Trust Company,
Halifax and Saint John
Bankers Trust Company, New York

The Annual Meeting of Shareholders will be held at the O'Keefe Centre For The Performing Arts, Front and Yonge Streets, Toronto, on Monday, the 14th day of August, 1972, at the hour of 11:00 a.m.

COMPARATIVE HIGHLIGHTS

	For the Years Ended March 18, 1972 (52 Weeks)	March 20, 1971 (52 Weeks)
Sales (An increase of $185,282,277 or 24.11%)	**$953,739,186**	$768,456,909
Net Earnings	**$ 9,574,136**	$ 3,322,166
per dollar of sales	**1.00¢**	.43¢
per share of common stock	**$ 1.18**	$ .41
Dividends	**$ 5,824,707**	$ 5,816,253
per share of common stock	**72¢**	72¢
Working Capital	**$ 30,140,728**	$ 27,089,996
Ratio of Current Assets to Current Liabilities	**1.65**	1.64
Total Reinvested Earnings	**$ 68,495,016**	$ 64,745,587
Shareholders' Equity	**$ 85,470,178**	$ 80,499,111
Number of Stores at End of Year	**403**	397

DIRECTORS AND MANAGEMENT

Directors

*JOHN A. McDOUGALD
Chairman of the Board and Chairman of the Executive Committee

LEWIS H. M. AYRE

*ALEX E. BARRON

*STEWART G. BENNETT

*GEORGE M. BLACK, JR.

PIERRE PAUL DAIGLE

*A. BRUCE MATTHEWS

*THOMAS G. McCORMACK

*MAXWELL C. G. MEIGHEN

ANDRE MONAST, Q.C.

WILLIAM J. STEWART

E. CLIFFORD WENT

**Executive Committee*

Corporate Management

THOMAS G. McCORMACK
President and Chief Executive Officer

THOMAS G. BOLTON
Vice-President, Corporate Development

W. FRANK CAPSTICK
Vice-President, Operations

ALLEN C. JACKSON
Vice-President, Merchandising

RICHARD J. O'BRIEN
Vice-President, Advertising

NATHANIEL H. SHAW, Q.C.
Vice-President and General Counsel

WILLIAM J. STEWART
Vice-President and Secretary

E. CLIFFORD WENT
Vice-President, Administration

NELSON W. LANCASTER
Comptroller, Operations

A. WILLIAM TOMLIN
Comptroller, Corporate Finance

Divisional Management

ALBERT DAVID
Eastern Ontario and Quebec

RUSSELL L. NETHERTON
Ontario

District Management

RÉAL BROUILLETTE
Montreal, Quebec

JAMES F. EARLE
Halifax, N.S.

FRANCOIS GIRARD
Quebec, Quebec

ELTON C. HAINES
St. John's, Nfld.

CHARLES T. E. HALSEY
Toronto, Ontario

JOHN A. HIGGINSON
Toronto, Ontario

RONALD C. HYNE
Hamilton, Ontario

RAYMOND LUCYSHYN
Winnipeg, Man.

JAMES A. MALCOLM
Toronto, Ontario

PERCY M. MONTFORD
Saint John, N.B.

JOHN PANDER
Sudbury, Ontario

JOHN I. QUINN
Windsor, Ontario

HARRY TAYLOR
Ottawa, Ontario

GILBERT VIENNEAU
Montreal, Quebec

Special Management

ERVIN F. CAVEN
Director, Personnel and Labour Relations

STANLEY P. GIBSON
Director, General Merchandise

EDWARD D. HARVISON
Director, Consumer Affairs

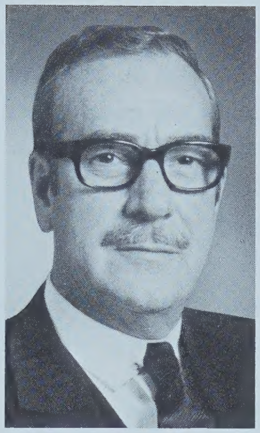
A. M. MACDONALD
Director, Real Estate

JOHN NESTOR
Director, Corporate Planning

THOMAS THOMSON
Director, Plant Operations

ANNUAL REPORT TO OUR SHAREHOLDERS


John A. McDougald


Thomas G. McCormack

When your company launched its "deep discount" price policy in November, 1970, the resulting competitive situation was identified by many as a price war. That war is not over, and perhaps it never will be over, but the first and most crucial battle has resulted in a very decisive victory for Dominion.

The deep discount policy, implemented comprehensively, with vigour and honesty and with the whole-hearted support and co-operation of employees on all levels, brought to Dominion the massive increases in patronage and sales which were pre-requisites of success.

Between fiscal 1970, the last full year of conventional retailing, and fiscal 1972, the first full year of deep discount merchandising, Dominion's sales rose \$300 million or $46\frac{1}{2}$ per cent. The intervening year, fiscal 1971, covered in last year's annual report, was one of drastic change, of reorganization, of enormous expense, as your company switched from one merchandising approach to another.

It was a year of great strain for all shareholders and employees, and while the sales gains even in the early period of the deep discounting were impressive, the inevitable decline in earnings in this start-up period was a cause of concern to management and shareholders. Revival of earnings in the fiscal year recently concluded, combined with the sustained increases in number of customers and sales, is evidence of the wisdom of the policy change.

Total sales were \$953,739,186, an increase of more than \$185,000,000 or 24 per cent over the previous year's sales. Earnings rose from \$3,322,000 in fiscal 1971 to \$9,574,000.

It should be noted that the earnings record extending back to 1964 shows little variation apart from the serious decline in 1971 even though sales in the period more than doubled. Earnings per dollar of sales were 2.03¢ in 1964. In the year just ended they were equal to 1¢ per dollar of sales.

One conclusion to be drawn is that Dominion, as a result of its large volume of sales and its emphasis on efficiency of operation, is contributing in a very important way to keeping food prices in Canada as low as possible. Some price increases do, of course, occur, reflecting unavoidable cost increases either in our own operations or in those of our suppliers. Food, however, remains one of the Canadian consumers' best buys.

Canadians today spend a smaller proportion of their average disposable income on food than ever before. Consumption of

meat, poultry, eggs, vegetables and fruits is higher than in the past, indicating that the diet of Canadians is even more healthful and appealing than in the past. Complaints about rising food prices are frequently heard but in many cases when analyzed these complaints are related at least in part to two factors: First, the purchase of more highly processed (and therefore more expensive) convenience foods. Second, the purchase of non-food items which supermarkets now offer to their customers for their convenience which were not available in the past and which should not be regarded as part of the consumer's food bill.

Dominion's initiative in discount merchandising has placed the company in a position of leadership in the retail grocery industry. This position of leadership was achieved in the face of intense competition including price competition in some cases and strong promotional efforts in others. Your company's own experience and independent consumer studies indicate that a large number of shoppers recognize Dominion's leadership and are loyal Dominion shoppers.

The results for the 1972 fiscal year indicate the extent to which your company has learned how to compensate for the profit squeeze in our industry by increasing sales and by achieving substantial economies in operation.

Sales

As mentioned above, total sales for the 52 weeks ended March 18, 1972, amounted to $953,739,000 compared with $768,457,000 in the 52 weeks ended March 20, 1971. This was an increase of $185 million or 24.11 per cent. When added to the previous year's increase of $117 million, it resulted in a sales increase for the two years of more than $300 million or 46½ per cent. These sales results reaffirmed the solid consumer acceptance which is your company's great strength.

Earnings

After providing $9,570,000 for Federal and Provincial tax on income and $9,431,000 for depreciation, net earnings for the year amounted to $9,574,000. This was a substantial increase of $6,252,000 over $3,322,000 in the previous year, which included the initial start-up costs of the discount merchandising program. While this was a substantial increase over last year it was only a modest improvement over two years ago.

Net earnings were equal to 1.00¢ per dollar of sales compared with .43¢ last year and earnings per share amounted to $1.18 compared with 41¢ last year.

Dividends

Dividends to shareholders amounted to 72¢ per share, the same as in the previous year. Total dividends paid in the year amounted to $5,825,000 compared with $5,816,000 in the previous year.

Financial Resources

At March 18, 1972, working capital amounted to $30,141,000. This was an increase of $3,051,000 over working capital of $27,090,000 at March 20, 1971.

The ratio of current assets to current liabilities was 1.65 times. At March 18, 1972, reinvested earnings amounted to $68,495,000 and shareholders' equity totalled $85,470,000.

Operating Costs

The costs of doing business continued to advance rapidly during the fiscal year. Substantial increases were recorded for all items of expense. However, the outstanding sales achievements resulted in a lower ratio of expense to sales for most categories.

Taxes

Your company regards as discriminatory the federal government's decision to grant major tax reductions to manufacturing and processing industries, effective January 1, 1973, while denying similar reductions to other industries and, in particular, to the food distribution industry.

The government's stated goal is to promote the development in Canada of manufacturing industries which are dynamic, vigorous and resourceful, and your Directors support this goal. However, it is equally important that the food distribution system be increasingly dynamic, vigorous and resourceful, thereby benefitting consumers, producers—including primary producers—and the economy generally. It should be noted that the food retailing industry is an extremely sensitive one which quickly channels financial benefits or financial burdens through to the general economy. In addition, the industry, including producer, manufacturer, processor, distributor and retailer segments, is one of the largest employers in the country.

Your company feels that the discriminatory approach taken by the federal authorities is not justified and should be reviewed.

The Invisible Cost of Labour

Employee compensation is usually interpreted by the average individual as the amount of wages paid to the individual by the company. However, in addition to wages there is a further part of each employee's total compensation that is not seen, not carried home and not spent by the employee, but is compensation nonetheless. Also included in wages is a part of each employee's cash compensation which is payment for time which is not directly productive. These benefits, provided to employees by the company, can no longer be lightly referred to as "fringe benefits" because of the magnitude of the package and the resultant substantial responsibility of the company for the well-being of the employees.

The cost of the benefits snowballs to a major portion of wages and the provision and administration of these programmes represents a company social responsibility, much of which was not a factor a few years ago.

Even though the majority of employees take these invisible costs of labour for granted, the resulting total can come from only one source—the sales dollar. Our company's aim is to sell merchandise of the highest quality at the lowest possible prices and, through efficient operations, to retain enough from the sales dollar to maintain our position in the market place, pay dividends to our shareholders, provide our employees with a satisfactory living, satisfy our social responsibilities, and remain successful.

This invisible cost of labour paid for by the company over and above the 1971 direct wage bill of $91,916,000 totalled $23,085,000—a 25.1 per cent addition not included in direct wages.

This benefit dollar was applied as follows:

55.6%
Pay For Time Not Worked
(Vacations, Sick Pay,
Rest Periods, etc.)
$12,830,000

24.4%
Health & Welfare Benefits
(Pension Plan, Group Insurance
Medical and Hospital Insurance)
$5,628,000

11.7%
Payments Required by Government
Legislation
(Unemployment Insurance, Workmen's
Compensation, Old Age Security,
Canada (Quebec) Pension)
$2,702,000

8.3%
Other Benefits
(Christmas Bonus, Recreation,
Education Assistance, etc.)
$1,925,000

Planning and Development

Your company continued its aggressive program of retail expansion during the year. Nineteen stores were opened, all of them in shopping centres. Thirteen stores were closed during the year and as a result 403 were in operation at the year end.

The development of new retail facilities in carefully selected locations continues. Plans call for the opening of up to ten new stores in the current year, all of them in shopping centres. These will be large stores designed to maximize profitable merchandising opportunities. Emphasis will also be given to updating present facilities by enlarging and completely modernizing several stores.

Annual Meeting

The annual meeting of shareholders will be held at the O'Keefe Centre, Front and Yonge Streets, Toronto, on Monday, August 14, 1972, at 11:00 a.m.

In Appreciation

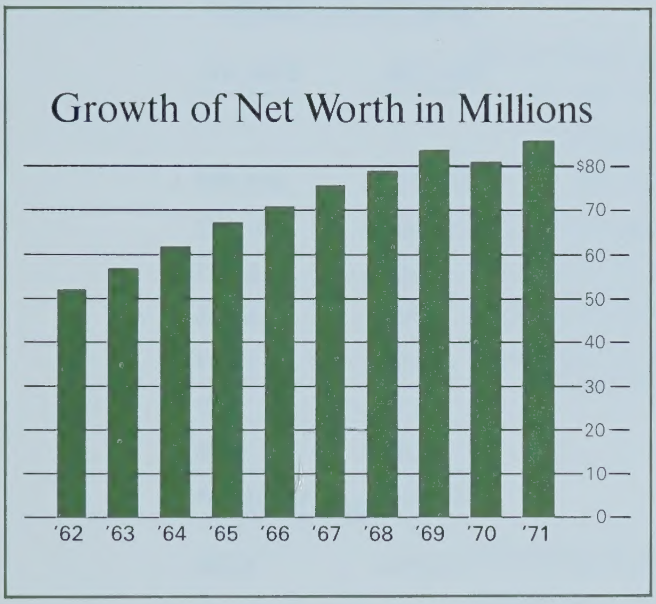
Your Board of Directors extends its appreciation to the company's employees for their loyal services, to suppliers for the excellent co-operation, to shareholders for their continuing support and to the hundreds of thousands of customers whose patronage contributed so significantly to the successes of this difficult year.

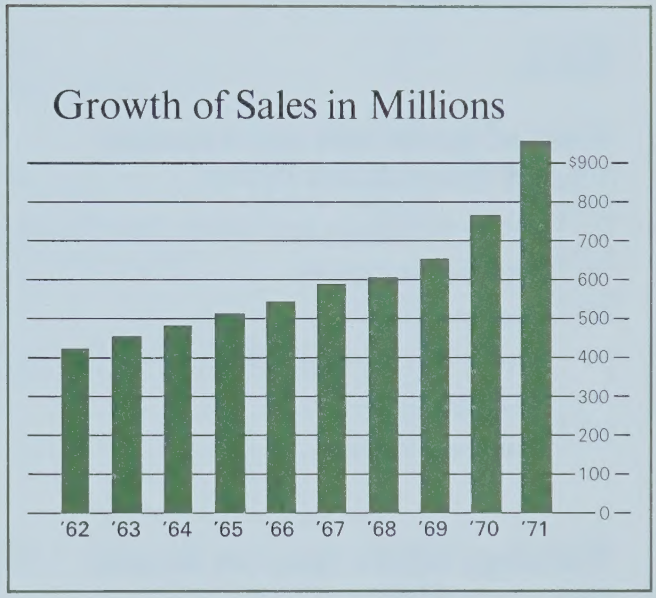
For the Board of Directors,

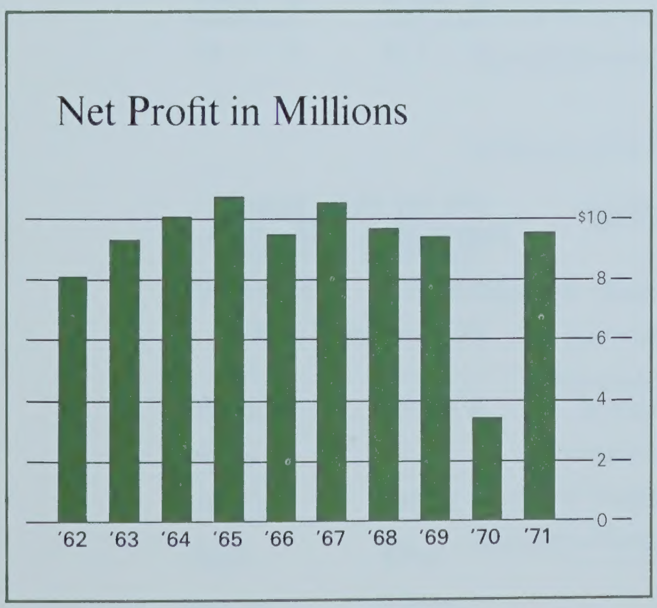
JOHN A. McDOUGALD
Chairman of the Board

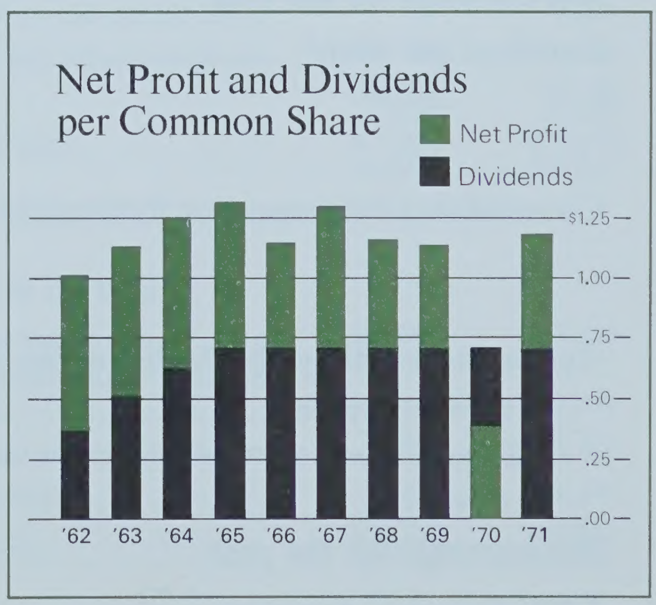
THOMAS G. McCORMACK
President

PROGRESS CHARTS









CONSOLIDATED STATEMENTS OF EARNINGS AND REINVESTED EARNINGS

Consolidated Statement of Earnings

	For the Years Ended March 18, 1972 (52 Weeks)	March 20, 1971 (52 Weeks)
	(in thousands of dollars)	
Sales	$953,739	$768,457
Cost of goods sold and expenses except those shown below	801,149	643,908
Employees' salaries and benefits (note 1)	115,001	101,142
Depreciation (note 4)	9,431	8,587
Municipal taxes	6,790	6,425
Interest on long-term debt	2,351	1,037
Other interest	158	949
Investment income	(285)	(280)
	934,595	761,768
Earnings before taxes on income	19,144	6,689
Taxes on income	9,570	3,367
Net earnings for the year	$ 9,574	$ 3,322
Earnings per share	$ 1.18	$ .41

Consolidated Statement of Reinvested Earnings

	For the Years Ended March 18, 1972 (52 Weeks)	March 20, 1971 (52 Weeks)
	(in thousands of dollars)	
Reinvested earnings, beginning of the year		
As previously reported	$ 64,746	$ 66,854
Adjustment of prior years' deferred income taxes	—	1,079
As restated	64,746	67,933
Net earnings for the year	9,574	3,322
Less: dividends to shareholders	(5,825)	(5,816)
cost of issuing debentures	—	(693)
Reinvested earnings, end of year	$ 68,495	$ 64,746

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

	For the Years Ended March 18, 1972 (52 Weeks)	March 20, 1971 (52 Weeks)
	(in thousands of dollars)	
Source of Funds		
Net earnings for the year	$ 9,574	$ 3,322
Charges not requiring cash outlay:		
Depreciation	9,431	8,587
Deferred income taxes	880	810
Funds generated from operations	19,885	12,719
Proceeds from Series "D" Debentures	—	19,307
Disposal of fixed assets	3,746	1,980
Proceeds from shares issued under the stock option plan (note 6)	1,222	9
	24,853	34,015
Use of Funds		
Investment in fixed assets	14,500	16,283
Dividends	5,825	5,816
Reduction of long-term debt	1,435	914
Investments transferred to non-current assets	—	2,203
Increase in mortgages and other investments	42	124
	21,802	25,340
Increase During the Year	$ 3,051	$ 8,675
Working Capital		
Balance—Beginning of the Year		
As previously reported	$27,090	$17,336
Adjustment of prior years' deferred income taxes	—	1,079
As restated	27,090	18,415
Increase During the Year	3,051	8,675
Balance—End of Year	$30,141	$27,090

CONSOLIDATED BALANCE SHEET AS AT MARCH 18, 1972

	March 18, 1972	March 20, 1971
Assets	*(in thousands of dollars)*	
CURRENT:		
Cash	$ 5,625	$ 7,386
Short-term deposits	3,500	2,000
Accounts receivable	1,277	870
Income taxes recoverable	—	1,772
Mortgages receivable	168	831
Merchandise—valued at the lower of cost and market (note 2)	64,344	54,151
Prepaid expenses	965	955
Deferred income taxes	378	1,172
	76,257	69,137
MORTGAGES AND OTHER INVESTMENTS (note 3)	3,851	3,809
FIXED ASSETS—at cost:		
Store, warehouse and office equipment	103,539	95,080
Buildings and leasehold improvements	39,627	36,699
	143,166	131,779
Accumulated depreciation (note 4)	66,017	57,385
	77,149	74,394
Land	8,274	9,706
	85,423	84,100
	$165,531	$157,046

	March 18, 1972	March 20, 1971
Liabilities	*(in thousands of dollars)*	
CURRENT:		
Accounts payable and accrued expenses	$ 34,741	$ 39,179
Income and sundry taxes	9,691	2,150
Current portion of long-term debt	1,684	718
	46,116	42,047
DEFERRED INCOME TAXES	7,225	6,345
LONG TERM DEBT (note 5)	26,720	28,155
	80,061	76,547

Shareholders' Equity

CAPITAL STOCK (note 6):		
Authorized—20,000,000 common shares without nominal or par value.		
Issued and fully paid—		
8,078,129 shares at March 20, 1971	15,753	15,753
95,475 shares for cash during the year	1,222	—
8,173,604	16,975	15,753
REINVESTED EARNINGS	68,495	64,746
	85,470	80,499
	$165,531	$157,046

Signed on behalf of the Board—
JOHN A. McDOUGALD, THOMAS G. McCORMACK,
Directors

NOTES TO FINANCIAL STATEMENTS

1. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

	March 18, 1972	March 20, 1971
Number of directors	12	12
Aggregate remuneration as directors	$50,000	$48,000
Number of senior officers	10	10
Aggregate remuneration as senior officers	$592,000	$414,000
Number of senior officers who are also directors	4	3

2. MERCHANDISE

Merchandise is located at both stores and warehouses. The term "market" as it applies to store inventories means "net realizable value" and to warehouse inventories "replacement cost".

3. MORTGAGES AND OTHER INVESTMENTS

This includes marketable investments in the amount of $2,203,000 the quoted value of which at March 18, 1972 was $1,257,000 (last year $1,274,000).

4. DEPRECIATION POLICY

Recorded depreciation has been computed on a straight-line basis to amortize the cost of the assets over their estimated useful life. The Company has continued to claim maximum allowances for income tax purposes and deferred income taxes have been set up to the extent that these allowances exceed recorded depreciation.

5. LONG-TERM DEBT

	March 18, 1972	March 20, 1971
Redeemable Sinking Fund Debentures		
5% Series "A"— maturing May 1, 1972	$ 1,122,500	$ 1,278,000
4¼% Series "B"— maturing November 1, 1975	3,628,500	4,172,500
5½% Series "C"— maturing December 1, 1976	3,117,500	3,423,000
9¾% Series "D"— maturing December 1, 1990	20,000,000	20,000,000
Mortgage		
8¾% maturing July 1, 1976	534,578	—
	28,403,078	28,873,500
Deduct: Current portion included in current liabilities	1,683,500	718,500
	$26,719,578	$28,155,000

The amounts remaining to be paid in the next five fiscal years are:

Fiscal year ending March 1973	$1,683,500
1974	822,000
1975	822,000
1976	2,882,000
1977	2,121,578

6. STOCK OPTION PLAN

Pursuant to an employees' stock option plan adopted by the company on August 26, 1969, 102,425 unissued common shares of the company are reserved as at March 18, 1972. Of the options granted to date, the following remain to be exercised (including options on 36,075 shares to senior officers, three of whom are also directors):

Number of shares	Option price	Expiry date
310,750	$12.75	August 25, 1974
10,880	12.125	August 16, 1975
40,370	13.38	August 22, 1976

The exercise of these options would have no material effect on the reported earnings per share.

7. LONG-TERM LEASES

The total minimum rental liability under leases (excluding insurance, property taxes and certain other occupancy charges) to the date of expiry or option whichever occurs first, for each of the periods shown below, is as follows:

	March 18, 1972	March 20, 1971
Within 10 years	$108,289,000	$ 96,006,000
Within the next 5 years	43,815,000	39,063,000
Within the next 5 years	27,618,000	24,074,000
Within the remainder of the term	10,323,000	8,993,000
	$190,045,000	$168,136,000
Minimum annual rentals payable under such leases are	$ 15,110,000	$ 13,827,000

Certain leases contain an option to cancel. Should the company exercise these options, it could be required to purchase the related properties.

8. PENSION PLAN

During the year, the company made certain revisions to its pension plan which increased employee benefits. As of January 1, 1972, the estimated unfunded liability amounted to approximately $23,000,000 of which $13,600,000 related to the increase in benefits. It is intended that this liability be paid over the next 18 years by means of annual instalments of approximately $1,892,000 and absorbed as a charge against operations as paid.

AUDITORS' REPORT

McDONALD, CURRIE & CO.
CHARTERED ACCOUNTANTS

120 Adelaide Street West,
Toronto.

We have examined the consolidated balance sheet of Dominion Stores Limited and its subsidiaries as at March 18, 1972 and the consolidated statements of earnings, reinvested earnings and source and use of funds for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 18, 1972 and the results of their operations and the source and use of their funds for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.
Chartered Accountants

April 7, 1972

TEN YEAR FINANCIAL SUMMARY *(dollars in millions)*

As at fiscal years ended March:	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
TOTAL ASSETS	$165.5	$157.0	$136.0	$126.3	$116.1	$108.2	$104.3	$ 97.8	$ 93.4	$ 86.7
CURRENT ASSETS	$ 76.2	$ 69.1	$ 56.1	$ 51.2	$ 51.5	$ 45.0	$ 47.8	$ 44.5	$ 47.5	$ 43.6
CURRENT LIABILITIES	46.1	42.0	37.7	32.5	25.8	21.7	21.1	19.8	20.4	18.1
WORKING CAPITAL	$ 30.1	$ 27.1	$ 18.4	$ 18.7	$ 25.7	$ 23.3	$ 26.7	$ 24.7	$ 27.1	$ 25.5
Working Capital Ratio	1.7	1.6	1.5	1.6	2.0	2.1	2.3	2.2	2.3	2.4
OTHER ASSETS	$ 3.9	$ 3.8	$ 1.5	$ 1.1	$ 1.2	$ 1.7	$ .3	$ .3	$ .7	$ .8
NET FIXED ASSETS	85.4	84.1	78.4	74.0	63.4	61.5	56.2	53.0	45.2	42.3
DEFERRED INCOME TAXES	7.2	6.3	5.5	4.7	4.0	3.9	3.5	3.1	2.7	2.6
LONG-TERM DEBT (excludes current portion)	26.7	28.2	9.1	10.1	11.0	12.0	12.8	13.0	13.5	14.5
BOOK VALUE OF SHAREHOLDERS' INVESTMENT IN THE BUSINESS	$ 85.5	$ 80.5	$ 83.7	$ 79.0	$ 75.3	$ 70.6	$ 66.9	$ 61.9	$ 56.8	$ 51.5
Accounted for as follows—										
Capital stock	$ 17.0	$ 15.8	$ 15.7	$ 15.7	$ 15.7	$ 15.7	$ 15.6	$ 15.4	$ 15.2	$ 15.2
Reinvested earnings	$ 68.5	$ 64.7	$ 68.0	$ 63.3	$ 59.6	$ 54.9	$ 51.3	$ 46.5	$ 41.6	$ 36.3
NUMBER OF SHARES OUTSTANDING (000 Omitted)	8,174	8,078	8,077	8,073	8,073	8,073	8,069	8,058	8,050	8,050
NUMBER OF SHAREHOLDERS	10,518	11,748	11,305	11,158	11,241	10,895	10,053	9,758	9,084	9,317
CAPITAL EXPENDITURES	$ 14.5	$ 16.3	$ 15.3	$ 18.3	$ 10.6	$ 14.7	$ 13.9	$ 16.0	$ 9.1	$ 7.0

TEN YEAR STATEMENT OF EARNINGS

(dollars in millions)

For the fiscal years ended March:	1972	1971	1970	1969	1968*	1967	1966	1965	1964	1963*
SALES	$953.7	$768.5	$651.6	$602.9	$584.2	$543.5	$513.7	$487.7	$459.3	$427.0
COST OF GOODS SOLD AND EXPENSES										
Cost of goods sold and expenses except those shown below	$801.1	$644.0	$530.3	$492.6	$480.4	$452.3	$428.4	$408.0	$387.6	$362.1
Employees' salaries and benefits	115.0	101.1	86.4	76.5	69.5	61.3	53.8	50.0	44.6	41.0
Depreciation	9.4	8.6	7.9	6.8	6.7	6.0	5.9	5.3	4.8	4.5
Municipal taxes	6.8	6.4	5.4	5.1	4.7	4.0	3.6	3.3	3.0	2.8
Interest on long-term debt	2.4	1.0	.5	.5	.6	.6	.6	.6	.7	.7
Other interest	.2	1.0	1.1	.3	.1	—	—	—	—	—
Investment income	.3	.3	.3	.3	.3	.4	.3	.5	.8	.8
	$934.6	$761.8	$631.3	$581.5	$561.7	$523.8	$492.0	$466.7	$439.9	$410.3
EARNINGS BEFORE TAXES ON INCOME	$ 19.1	$ 6.7	$ 20.3	$ 21.4	$ 22.5	$ 19.7	$ 21.7	$ 21.0	$ 19.4	$ 16.7
Per dollar of sales	2.00¢	.87¢	3.12¢	3.55¢	3.86¢	3.63¢	4.21¢	4.30¢	4.23¢	3.92¢
TAXES ON INCOME	$ 9.5	$ 3.4	$ 11.0	$ 11.9	$ 12.0	$ 10.3	$ 11.0	$ 10.9	$ 10.1	$ 8.6
Per dollar of sales	1.00¢	.44¢	1.69¢	1.97¢	2.06¢	1.90¢	2.14¢	2.23¢	2.20¢	2.02¢
NET EARNINGS	$ 9.6	$ 3.3	$ 9.3	$ 9.5	$ 10.5	$ 9.4	$ 10.7	$ 10.1	$ 9.3	$ 8.1
Per dollar of sales	1.00¢	.43¢	1.43¢	1.58¢	1.80¢	1.73¢	2.07¢	2.07¢	2.03¢	1.90¢
Per share	$ 1.18	$ .41	$ 1.15	$ 1.17	$ 1.30	$ 1.16	$ 1.32	$ 1.25	$ 1.15	$ 1.01
DIVIDENDS	$ 5.8	$ 5.8	$ 5.8	$ 5.8	$ 5.8	$ 5.8	$ 5.8	$ 5.2	$ 4.0	$ 3.1
Per share	72¢	72¢	72¢	72¢	72¢	72¢	72¢	64¢	50¢	38¢
NUMBER OF EMPLOYEES—full time	10,498	10,381	9,664	9,231	9,066	8,766	8,437	8,023	7,900	7,280
—part time	10,684	10,230	8,706	7,935	7,798	7,587	8,125	7,159	7,587	6,416
	21,182	20,611	18,370	17,166	16,864	16,353	16,562	15,182	15,487	13,696
NUMBER OF STORES OPENED DURING YEAR	19	18	20	17	13	23	26	29	18	17
NUMBER OF STORES AT END OF YEAR	403	397	398	389	381	380	377	380	368	363

**53 Weeks*

DOMINION STORES LIMITED

Incorporated under the laws of Canada

Head Office:

605 Rogers Road, Toronto 15, Ontario

District Offices:

St. John's, Nfld.	Toronto, Ont.
Halifax, N.S.	Hamilton, Ont.
Saint John, N.B.	Windsor, Ont.
Quebec, Que.	Sudbury, Ont.
Montreal, Que.	Winnipeg, Man.
Ottawa, Ont.	

Board of Directors — Affiliations

JOHN A. McDOUGALD
Chairman of the Board and Chairman of the Executive Committee—
Dominion Stores Limited
Chairman of the Board and President—
Argus Corporation Limited
Chairman of the Executive Committee and Vice-President—
Hollinger Mines Limited
Director and member of the Executive Committee—
Canadian Imperial Bank of Commerce
Massey-Ferguson Limited

THOMAS G. McCORMACK
President and Chief Executive Officer—
Dominion Stores Limited
Director—
Argus Corporation Limited
Crown Trust Company

LEWIS H. M. AYRE
Chairman of the Board and President—
Ayre and Sons Limited
Chairman of the Board—
Northlantic Fisheries Limited
The Newfoundland Telephone Limited
Director—
The Bank of Nova Scotia

ALEX E. BARRON
Chairman of the Board—
Canadian Tire Corporation Limited
Director—
London Life Insurance Company
The Canada Trust Company

STEWART G. BENNETT
Director—
Boiler Inspection Company Limited
Phoenix Assurance Company

GEORGE M. BLACK, Jr.
Vice-President—
Argus Corporation Limited
Director and member of the Executive Committee—
Canadian Imperial Bank of Commerce
Director—
Dominion Tanners Sales Corporation Limited

PIERRE PAUL DAIGLE
Vice-President—
Malcolm G. MacLean Lumber Limited
Director—
R.C.A. Victor Company Limited
Confederation Life Association
Goodyear Tire and Rubber Company of Canada
International Paints (Canada) Limited

A. BRUCE MATTHEWS
Chairman of the Board—
The Excelsior Life Insurance Company
Chairman of the Board—
Canada Permanent Trust Company
Executive Vice-President—
Argus Corporation Limited

MAXWELL C. G. MEIGHEN
Chairman of the Board—
Canadian General Investments Limited
Vice-President—
Argus Corporation Limited
The Canada Trust Company
Director—
The Algoma Steel Corporation Limited

ANDRE MONAST, Q.C.
Partner—
St. Laurent, Monast, Desmeules, Walters & Dubé
Director—
Canadian Imperial Bank of Commerce
Churchill Falls (Labrador) Corporation Limited
Noranda Mines Limited
Canada Cement Lafarge Limited

WILLIAM J. STEWART
Vice-President and Secretary—
Dominion Stores Limited

E. CLIFFORD WENT
Vice-President, Administration—
Dominion Stores Limited

This annual report is printed on recycled paper stock — your company's recognition and support of one of the newest anti-pollution developments.

THE AIM

of Dominion Stores Limited
is to fulfil with ever-increasing efficiency
its responsibility as a distributor of food,
thereby performing a satisfactory service
to the consumer, producer, manufacturer
and processor; to discharge its
responsibility to shareholders whose
investment makes the company possible;
and to provide its employees with a
satisfactory living under the best
possible conditions.

AR39

DOMINION STORES LIMITED

Toronto, Canada

November 14, 1972

Report To Our Shareholders And Employees

Sales for the first half of the current fiscal year, ended September 16, 1972, were the highest for any comparable period in the history of the Company, totalling $532,231,000. This was an increase of $80,000,000 equal to 17.77% above sales for the first half of the preceding year.

This substantial sales increase reflects in part continued inflation in wholesale costs of fresh meats, fruits and vegetables and innumerable grocery products. However, most of the sales increase is due to greater customer patronage.

Net earnings for the 26 weeks under review amounted to $3,248,000 compared with $3,857,000 in the same period of the preceding year. This decline is mainly accounted for by increased expenses on every hand. Paradoxically we continue to be faced both with severe price competition on the one hand and with the highest wholesale prices ever on the other.

Our organization will continue to work untiringly to maintain and expand our high sales volume and to curtail expenses, and you may rest assured that our employees are keenly aware of their responsibility to the Company.

HIGHLIGHTS (unaudited)

(dollars are in thousands)	For the 13 Weeks Ended Sept. 16/72	For the 13 Weeks Ended Sept. 18/71	For the 26 Weeks Ended Sept. 16/72	For the 26 Weeks Ended Sept. 18/71
Sales	$265,466	$222,548	$532,231	$451,939
Per cent increase	19.29%		17.77%	
Earnings before taxes	$ 3,438	$ 4,016	$ 6,318	$ 8,162
Taxes on income	1,670	2,090	3,070	4,305
Net earnings	1,768	1,926	3,248	3,857
Per dollar of sales	.67¢	.87¢	.61¢	.85¢
Per share	21¢	24¢	39¢	47¢
Dividends paid	$ 1,492	$ 1,454	$ 2,975	$ 2,908
Per share	18¢	18¢	36¢	36¢
Number of stores	398	398	398	398

STATEMENT OF SOURCE AND USE OF FUNDS

(thousands of dollars)	For the 26 Weeks Ended Sept. 16/72	For the 26 Weeks Ended Sept. 18/71
Source of Funds		
Net earnings	$ 3,248	$ 3,857
Depreciation	4,977	4,624
Disposal of fixed assets	339	2,272
Shares issued under stock option plan	1,628	30
Mortgages receivable	275	—
	10,467	10,783
Use of Funds		
Investment in fixed assets	4,449	7,223
Dividends paid	2,975	2,908
Long term debt reduction	77	1,220
Mortgages receivable	210	450
	7,711	11,801
Working Capital		
Increase (Decrease) in the 26 weeks	2,756	(1,018)
Balance—beginning of the year	30,141	27,090
Balance—end of the half year	$ 32,897	$ 26,072

For the Board of Directors,
THOMAS G. McCORMACK, *President*

(Texte français au verso)

DOMINION STORES LIMITED

Toronto, Canada

Le 14 novembre 1972

Rapport à nos actionnaires et employés

Au montant global de $532,231,000, les ventes de la première moitié de l'exercice en cours, semestre terminé le 16 septembre 1972, furent les plus élevées de l'histoire de la compagnie. Il s'agit d'une augmentation de $80,000,000, ce qui surpasse de 17.77% le chiffre du premier semestre de l'exercice précédent.

Cet accroissement notable des ventes reflète en partie l'inflation continue des prix de gros des viandes, fruits et légumes frais et d'innombrables articles d'épicerie. Toutefois, le gros de l'augmentation des ventes provient de la faveur accrue de la clientèle.

Les bénéfices nets des 26 semaines en cause s'élevèrent à $3,248,000, au regard de $3,857,000 au cours de la période correspondante de l'exercice précédent. Ce fléchissement découle principalement d'un accroissement des dépenses de toutes parts. Paradoxalement, nous continuons à affronter à la fois, d'une part, une vive concurrence en matière de prix et, d'autre part, une hausse sans précédent des prix de gros.

Notre organisation continuera à travailler sans relâche au maintien et à l'expansion de notre volume de ventes ainsi qu'à la compression des dépenses et vous pouvez demeurer assurés que nos employés sont des plus conscients de leur responsabilité envers la compagnie.

POINTS SAILLANTS (non vérifiés)

(en milliers de dollars)

	Pour les 13 semaines terminées		Pour les 26 semaines terminées	
	le 16 sept. /72	le 18 sept. /71	le 16 sept. /72	le 18 sept. /71
Ventes	$265,466	$222,548	$532,231	$451,939
Pourcentage d'augmentation	19.29%		17.77%	
Bénéfices avant impôts	$ 3,438	$ 4,016	$ 6,318	$ 8,162
Impôts sur le revenu	1,670	2,090	3,070	4,305
Bénéfices nets	1,768	1,926	3,248	3,857
Par dollar de ventes	.67¢	.87¢	.61¢	.85¢
Par action	21¢	24¢	39¢	47¢
Dividendes versés	$ 1,492	$ 1,454	$ 2,975	$ 2,908
Par action	18¢	18¢	36¢	36¢
Nombre de magasins	398	398	398	398

ÉTAT DE LA PROVENANCE ET DE L'UTILISATION DES FONDS

(en milliers de dollars)

	Pour les 26 semaines terminées	
	le 16 sept. /72	le 18 sept. /71
Provenance des fonds		
Bénéfices nets	$ 3,248	$ 3,857
Amortissement	4,977	4,624
Vente d'immobilisations	339	2,272
Actions émises en vertu du plan d'option sur actions	1,628	30
Hypothèques à recevoir	275	—
	10,467	10,783
Utilisation des fonds		
Placement en immobilisations	4,449	7,223
Dividendes versés	2,975	2,908
Réduction de la dette à long terme	77	1,220
Hypothèques à recevoir	210	450
	7,711	11,801
Fonds de roulement		
Augmentation (diminution) durant les 26 semaines	2,756	(1,018)
Solde—au début de l'exercice	30,141	27,090
Solde—à la fin du semestre	$ 32,897	$ 26,072

Au nom du Conseil d'administration

Le Président THOMAS G. McCORMACK

(English text on reverse side)